

Message Text

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ACTION EUR-12

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6257

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USDEL MTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS PARIS 30841

PASS TREASURY, FEDERAL RESERVE, COMMERCE

E. O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: BARRE PLAN: NATIONAL ASSEMBLY APPROVES 1976

SUPPLEMENTAL BUDGET

REF: PARIS 30325, OCTOBER 14, 1976

1. THE NATIONAL ASSEMBLY APPROVED ON OCTOBER 15 THE
SUPPLEMENTARY BUDGET, INCLUDING AID TO FARMERS, AND
THE PRINCIPAL MEASURES OF THE GOVERNMENT'S ANTI-

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INFLATION PLAN. THE TWO AMENDMENTS PRESENTED BY
THE COMMUNISTS AND THE SOCIALISTS TO TAX CAPITAL

AND WEALTH WERE REJECTED.

2. FOLLOWING ARE THE PRINCIPAL MEASURES OF THE
PLAN, APPROVED BY THE NATIONAL ASSEMBLY:

A) THE TAXPAYERS, WHO IN 1975 PAID BETWEEN
4,500 AND 20,000 FRANCS, WILL PAY A 4 PERCENT
SUPPLEMENTARY TAX; THOSE WITH TAXES HIGHER THAN
20,000 FRANCS WILL PAY AN 8 PERCENT SUPPLEMENTARY
TAX.

B) IN LIEU OF PAYING THE SUPPLEMENTARY TAX, A
TAXPAYER MAY SUBSCRIBE TO A GOVERNMENT BORROWING,
REIMBURSABLE AT THE END OF FIVE YEARS AT THE
RATE OF 6.5 PERCENT. HOWEVER, TAXPAYERS SUBJECT
TO THE 8 PERCENT SUPPLEMENTARY TAX WILL BE ABLE TO
SUBSCRIBE ONLY HALF OF THAT AMOUNT.

C) ENTERPRISES WILL BE SUBJECT TO AN EXCEPTIONAL
TAX OF 4 PERCENT OF THE TAX CALCULATED FOR THE
FISCAL YEAR ENDING DECEMBER 31, 1975.

D) THE TAX ON AUTOMOBILES LESS THAN FIVE YEARS OLD
WILL BE 100 FRANCS FOR THOSE WITH LESS THAN 4
HORSEPOWER, FF 150 BETWEEN 5-7 HORSEPOWER, FF 400
BETWEEN 8-11 HORSEPOWER, FF 700 BETWEEN 12-16
HORSEPOWER, FF 1,000 FOR MORE THAN 17 HORSEPOWER.

E) RENTS IN THE CONTROLLED HOUSING SECTOR, LARGELY
NONLUXURY BUILDINGS CONSTRUCTED BEFORE 1948, ARE
BLOCKED FROM OCTOBER 1, 1976 TO DECEMBER 31, 1976 AT
THE RATE PREVAILING ON SEPTEMBER 15, 1976. IN 1977,
THEY WILL NOT BE ABLE TO INCREASE BY MORE THAN
6.5 PERCENT.

F) IN 1977, SALARIES HIGHER THAN 288,000 FRANCS
PER YEAR WILL BE FROZEN AT THAT LEVEL.

3. PRIME MINISTER BARRE STATED VERY FIRMLY IN A
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TELEVISED INTERVIEW FRIDAY EVENING THAT THE POLICY
TO FIGHT INFLATION "WILL BE APPLIED, REGARDLESS OF
PROTESTS." THE SCENE NOW SHIFTS TO CONSIDERATION
OF THE 1977 BUDGET. PASSAGE IS CONSIDERED CERTAIN
AND WITH THAT ACTION THE ENTIRE BARRE PLAN WILL BE
SET IN OPERATION.
RUSH

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